

HOUSING AUTHORITY OF BREAUX BRIDGE

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-28-07

Mike Estes, P.C.
A Professional Accounting Corporation

HOUSING AUTHORITY OF BREAUX BRIDGE

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

TWELVE MONTHS ENDED SEPTEMBER 30, 2006

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AUDIT QUALITY CENTER

Independent Auditor's Report

Board of Commissioners
Housing Authority of Breaux Bridge
Breaux Bridge, Louisiana

We have audited the accompanying financial statements of the major fund of the Housing Authority of Breaux Bridge, Louisiana as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Breaux Bridge, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Housing Authority of Breaux Bridge, Louisiana, as of September 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2007, on our consideration of the Housing Authority of Breaux Bridge, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Breaux Bridge, Louisiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority of Breaux Bridge, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying Financial Data Schedules required by HUD and other accompanying information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
February 19, 2007

REQUIRED SUPPLEMENTAL INFORMATION

**MANAGEMENT DISCUSSION
AND ANALYSIS (MD&A)**

Management's Discussion and Analysis (MD&A)
September 30, 2006

As management of the Housing Authority, we offer readers of the Housing Authority of the City of Breaux Bridge's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,317,047 (*net assets*). Of this amount, \$337,341 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Housing Authority's enterprise funds reported combined ending net assets of \$1,317,047 an increase of \$149,031 in comparison with the prior year. This increase is attributable to in large part to an increase in Capital Fund Program revenue. Approximately twenty nine percent of this total amount is *available for spending* at the Housing Authority's discretion (*unrestricted net assets*).
- The Housing Authority had total revenue of \$691,493, including capital grants revenues of \$204,745 and total expenses of \$524,704.
- At the end of the current fiscal year, unrestricted net assets for the Authority was \$377,341, or seventy-two percent of total operating expenses for the fiscal year.
- The Housing Authority continues to operate without the need for debt borrowings during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Authority is a special-purpose entity engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two federally funded programs that are consolidated into a single enterprise fund.

Low Rent Public Housing – The Authority's Low Rent Public Housing rents housing units to low-income families. The Low Rent Public Housing program is operated under an Annual Contribution Contract (ACC) with HUD; HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – The Low Rent Public Housing Program also includes the CFP as the primary funding source for the Authority's physical and management improvements. CFP funding is provided by formula allocation and based upon size and age of the Authority's units.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show information about the Housing Authority's fund, an enterprise fund.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Housing Authority of the City of Breaux Bridge

Management's Discussion and Analysis (MD&A)

September 30, 2006

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Housing Authority's enterprise fund uses the following accounting approach:

Proprietary funds - All of the Housing Authority's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,317,047 at September 30, 2006. Of this amount, \$377,341 was unrestricted. The unrestricted net assets of the Authority are available for future use to provide program services.

Table 1
Balance Sheet

	September 30	
	2006	2005
Assets		
Current assets	\$ 409,241	\$ 367,370
Capital assets, net	939,706	831,324
Total assets	<u>1,348,947</u>	<u>1,198,694</u>
Liabilities and Net Assets		
Current liabilities	19,941	19,262
Long-term liabilities	<u>11,959</u>	<u>11,416</u>
Total liabilities	<u>31,900</u>	<u>30,678</u>
Net assets		
Invested in capital assets, net of related debt	939,706	831,324
Unrestricted	<u>377,341</u>	<u>336,692</u>
Total net assets	<u>1,317,047</u>	<u>1,168,016</u>
Total Liabilities and Net Assets	<u>\$1,348,947</u>	<u>\$1,198,694</u>

Housing Authority of the City of Breaux Bridge

Management's Discussion and Analysis (MD&A)

September 30, 2006

Table 2
Changes in Net Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year ended September 30, 2006:

	September 30	
	2006	2005
Beginning net assets	\$ 1,168,016	\$ 1,202,195
Revenues:		
Operating revenues		
Rent and other	<u>234,051</u>	<u>193,486</u>
Total operating revenues	<u>234,051</u>	<u>193,486</u>
Expenses:		
Operating expenses		
Administration	152,534	145,466
Tenant services	156	244
Utilities	34,829	30,839
Ordinary maintenance and operations	129,110	130,076
General expenses	62,367	42,170
Depreciation	161,189	150,188
Fraud losses	2,217	0
Casualty losses	<u>60</u>	<u>0</u>
Total expenses	<u>542,462</u>	<u>498,983</u>
Non-operating revenues		
Interest earnings	4,242	4,658
Federal grants	214,148	188,977
Gain on disposal of assets	315	180
Insurance proceeds	<u>33,992</u>	<u>0</u>
Total non-operating revenues	<u>252,697</u>	<u>193,815</u>
Capital Contributions	204,745	77,503
Increase (decrease) in net assets	<u>\$149,031</u>	<u>(\$34,179)</u>
Ending net assets	<u>\$ 1,317,047</u>	<u>\$ 1,168,016</u>

Total revenues and capital grants increased \$226,689 due mainly to:

- increase in capital grants of \$127,242 due to increased spending in the capital fund program.
- increase in rental income of \$20,765 primarily due to an increase in average rents.
- decrease in other tenant revenue of \$1,805 primarily due to decreased late fees and other charges to tenants.
- increase in HUD PHA operating grants of \$25,171 primarily due to an increase in operating subsidy.
- increase in fraud recovery of \$3,842 primarily due to use of the upfront income verification system.
- increase in insurance proceeds of \$33,992 resulting from damage to a burned unit.

Housing Authority of the City of Breaux Bridge

Management's Discussion and Analysis (MD&A)
September 30, 2006

Total expenses increased \$43,479 due mainly to:

- increase in administrative expenses of \$7,068 primarily due to increased salaries, benefits and audit fees coupled with a decrease in sundry expenses.
- increase in utility expenses of \$3,990 due primarily to increased utility rates.
- increase in general expenses of \$20,197 due an increase in insurance premiums, fraud losses, and waived pilot.
- increase in depreciation expense of \$11,001 due to capital assets added during the year ended September 30, 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2006, the Housing Authority had \$939,706 invested in a broad range of capital assets, including land, buildings, leasehold improvements, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$108,382, or 13% from last year.

Capital Assets at Year-end

	2006	2005
Land	\$ 83,985	\$ 83,985
Buildings and improvements	713,841	695,512
Furniture and equipment	40,439	51,827
Construction in progress	<u>101,441</u>	<u>0</u>
Totals	<u>\$939,706</u>	<u>\$831,324</u>

No debt was issued for these additions.

This year's additions of \$269,571 are mainly dwelling improvements, equipment purchases and construction in progress.

Debt

Our long-term debt consists of accrued annual leave of \$11,959. We present more detail about our long-term liabilities in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore the Housing Authority is affected more by the Federal budget than by local economic conditions. The operating subsidy for the fiscal quarter ended December 31, 2006 has been approved by HUD in the amount of \$42,314. The Authority has submitted a request for operating subsidy for the calendar year ending 12-31-2007. HUD has approved the 2006 Capital Fund program budget in the amount of \$140,506, none of these funds had been expended as of September 30, 2006.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mary Lynn Thibodeaux, Executive Director, at the Housing Authority of the City of Breaux Bridge, PO Box 878, Breaux Bridge, Louisiana 70517, telephone number (337) 332-2808.

EXHIBIT A

**HOUSING AUTHORITY OF BREAUX BRIDGE
ENTERPRISE FUNDS - BALANCE SHEET
SEPTEMBER 30, 2006**

	<u>General</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 370,389
Accounts receivable net	1,167
Interest receivable	218
Prepaid items and other assets	19,831
Inventory	3,891
Restricted assets – cash and cash equivalents	13,745
Total Current Assets	<u>409,241</u>
Capital Assets, net	
Land	83,985
Buildings, and equipment (net)	754,280
Construction in progress	101,441
Total Capital Assets, net	<u>939,706</u>
Total Assets	<u>\$ 1,348,947</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 590
Deferred revenue	1,036
Compensated absences payable	4,570
Deposits due others	13,745
Total Current Liabilities	<u>19,941</u>
Noncurrent Liabilities	
Compensated absences payable	11,959
Total Liabilities	<u>31,900</u>
NET ASSETS	
Invested in capital assets, net of related debt	939,706
Unrestricted	377,341
Net Assets	<u>1,317,047</u>
Total Liabilities and Net Assets	<u>\$ 1,348,947</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF BREAUX BRIDGE
 ENTERPRISE FUNDS – STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2006

	General
OPERATING REVENUES	
Dwelling rental	\$ 206,050
Other	28,001
Total Operating Revenues	234,051
OPERATING EXPENSES	
Administration	152,534
Tenant services	156
Utilities	34,829
Ordinary maintenance & operations	129,110
General expenses	62,367
Depreciation	161,189
Fraud losses	2,217
Casualty losses	60
Total Operating Expenses	542,462
Income (loss) from Operations	(308,411)
Non Operating Revenues (Expenses)	
Interest earnings	4,242
Federal grants	214,148
Gain on disposal of assets	315
Insurance proceeds	33,992
Total Non-Operating Revenues (Expenses)	252,697
Income (loss) before contribution	(55,714)
Capital Contribution	204,745
Change in net assets	149,031
Total net assets - beginning	1,168,016
Total net assets - ending	\$ 1,317,047

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF BREAUX BRIDGE
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Rental receipts	\$ 206,467
Other receipts	29,799
Payments to vendors	(190,566)
Payments to employees – net	(194,582)
Net cash provided (used) by operating activities	(148,882)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal grants	215,136
Net cash provided (used) by non- capital financing activities	215,136
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	315
Purchase of capital assets	(269,571)
Federal Capital Grants	204,745
Insurance proceeds	33,992
Net cash provided (used) by capital and related financing activities	(30,519)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	4,241
Net cash provided (used) by investing activities	4,241
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,976
CASH AND CASH EQUIVALENTS Beginning of Fiscal Year	344,158
CASH AND CASH EQUIVALENTS End of Fiscal Year	\$ 384,134

Continued

HOUSING AUTHORITY OF BREAUX BRIDGE
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (308,411)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	161,189
Provision of uncollectible accounts	238
Change in assets and liabilities:	
Receivables	(371)
Due from other funds	988
Inventories	971
Prepaid items	(3,720)
Account payables	643
Accrued expenses	(225)
Deferred revenue	804
Due to other funds	(988)
Net cash provided (used) by operations	<u>\$ (148,882)</u>

Concluded

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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HOUSING AUTHORITY OF BREAUx BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Housing Authority of Breaux Bridge have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of Breaux Bridge, serve staggered multi-year terms.

The Housing Authority has the following units:

PHA Owned Housing	FW	2014	98
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GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the City of Breaux Bridge since the City of Breaux Bridge appoints a voting majority of Housing Authority's governing board. The City of Breaux Bridge is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Breaux Bridge. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Breaux Bridge.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

- 1) Appointing a voting majority of an organization's governing body, and:
 - a) The ability of the government to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
- 2) Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

B. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program and the Capital Fund program.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

PROPRIETARY FUNDS Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

D. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits, of less than ninety days, and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. INVESTMENTS Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. INVENTORY All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

G. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

H. CAPITAL ASSETS Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$250. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

I. DEFERRED REVENUES The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

J. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. RESTRICTED NET ASSETS Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS The Housing Authority has reported their investments with a maturity at time of purchase of one year or less at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at September 30, 2006. Deposits are stated at cost, which approximates fair value.

Interest Rate Risk: The Housing Authority's policy does not address interest rate risk.

Credit Rate Risk: The Housing Authority investments are in a Super Non Account, which does not have credit ratings. However, the Housing Authority's policy does not address credit rate risk.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure the government's deposits may not be returned to it. \$100,000 of the Authority's total deposits and investments were covered by federal depository insurance, and do not have custodial credit risk. The remaining \$284,134 of deposits and investments are exposed to custodial credit risk because this balance is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Housing Authority's name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon request.

NOTE 3 – ACCOUNTS RECEIVABLE The receivables at September 30, 2006, are as follows:

<u>Class of Receivables</u>	<u>General</u>
Local sources:	
Tenants	\$ <u>1,167</u>
Total	\$ <u>1,167</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$372.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 – CAPITAL ASSETS The changes in capital assets are as follows:

	Balance 9/30/05	Additions	Deletions	Balance 9/30/06
Land	\$ 83,985	\$ 0	\$ 0	\$ 83,985
Buildings	4,127,020	147,387	0	4,274,407
Furniture and equipment	175,345	20,743	10,442	185,646
Construction in progress	0	101,441	0	101,441
Total	4,386,350	269,571	10,442	4,645,479
Less: accumulated depreciation				
Buildings	3,409,853	142,325	0	3,552,178
Furniture and equipment	145,173	18,864	10,442	153,595
Total	3,555,026	161,189	10,442	3,705,773
Fixed assets, net	\$ 831,324	\$ 108,382	\$ 0	\$ 939,706

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 21.6% percent of each participant's basic (excludes overtime) compensation. This payment represents a 6% contribution by the employee, and a 8% contribution by the Housing Authority. In addition, the PHA contributed an additional 7.65% monthly in lieu of social security.

The Housing Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday or after 10 years of participation in the plan.

The Housing Authority made the required contributions of \$32,940 for the year ended September 30, 2006, of which \$20,772 was paid by the Housing Authority and \$12,168 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 – ACCOUNTS PAYABLE The payables at September 30, 2006 are as follows:

		General
Vendors	\$	590
Total	\$	590

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Grant Disallowances The Housing Authority participates in a number of federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

Construction Projects There are certain renovation or construction projects in progress at September 30, 2006. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Risk Management The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

NOTE 8 – COMPENSATED ABSENCES At September 30, 2006, employees of the Housing Authority have accumulated and vested \$16,529 of employee leave computed in accordance with GASB, Codification Section C60.

NOTE 9 – LONG – TERM OBLIGATIONS The following is a summary of the long – term obligation transactions for the year ended September 30, 2006.

		Compensated Absences
Balance, beginning	\$	15,914
Additions		615
Deductions		0
Balance, ending		16,529
Amounts due in one year	\$	4,570

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 10 – INTERPROGRAM TRANSFERS Interprogram transfers for the year September 30, 2006 consists of the following:

<u>Transfer To</u>	<u>Transfer From</u>
Low Rent	Capital Fund

The Capital Fund grant provisions allowed the PHA to transfer \$40,000 to the Low Rent program to pay for eligible Low Rent expenses and to also increase the operating reserve. In addition, the Capital Fund transferred \$93,893 of net capital costs to the Low Rent program.

NOTE 11 – ECONOMIC DEPENDENCE The Department of Housing and Urban Development provided \$418,893 to the Housing Authority, which represents approximately 62% of the Housing Authority's total revenue and capital contributions for the year.

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
and the
AICPA GOVERNMENTAL
AUDIT QUALITY CENTER

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Housing Authority of Breaux Bridge
Breaux Bridge, Louisiana

We have audited the financial statements of the major fund of the Housing Authority of Breaux Bridge, Louisiana as of and for the year ended September 30, 2006, which collectively comprise the Housing Authority of Breaux Bridge, Louisiana's, basic financial statements and have issued our report thereon dated February 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Breaux Bridge, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Breaux Bridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, the Louisiana Legislative Auditor, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Mike Estes, P. C.
Fort Worth, Texas
February 19, 2007

HOUSING AUTHORITY OF BREAUX BRIDGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2006

Section I – Summary of the Auditor's Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

HOUSING AUTHORITY OF BREAUX BRIDGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2006

**Section II – Findings related to the financial statements which are required to be reported
in accordance with Governmental Auditing Standards generally accepted in
the United States of America:**

None

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF BREAUX BRIDGE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT**

YEAR ENDED SEPTEMBER 30, 2006

		2004 Capital Fund
Funds approved	\$	169,321
Funds expended		<u>169,321</u>
Excess of funds approved	\$	<u>0</u>
Funds advanced	\$	169,321
Funds expended		<u>169,321</u>
Excess of funds advanced	\$	<u>0</u>

1. The Actual Modernization Costs are as follows:
2. The distribution of costs by project as shown on the Final Statement of Modernization Costs dated July 24, 2006 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF BREAUX BRIDGE
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2006

CASH BASIS

		2005 Capital Fund
Funds approved	\$	158,840
Funds expended		<u>140,266</u>
Excess of funds approved	\$	<u>18,574</u>
Funds advanced	\$	140,266
Funds expended		<u>140,266</u>
Excess of funds advanced	\$	<u>0</u>

See accountants' report

HOUSING AUTHORITY OF BREAUX BRIDGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2006

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>161,162</u>
Public Housing Capital Fund	14.872	<u>257,731</u>
Total United States Department of Housing and Urban Development	\$	<u>418,893</u>
Total Expenditures of Federal Awards	\$	<u>418,893</u>

HOUSING AUTHORITY OF BREAUX BRIDGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Breaux Bridge, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's basic financial statements as follows:

		<u>Federal Sources</u>
General	\$	<u>418,893</u>
Total	\$	<u>418,893</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

**HOUSING AUTHORITY OF BREAUX BRIDGE
FINANCIAL DATA SCHEDULE**

YEAR ENDED SEPTEMBER 30, 2006

PHA: LA059 FYED: 09/30/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$370,389	\$0	\$370,389
114	Cash - Tenant Security Deposits	\$13,745	\$0	\$13,745
100	Total Cash	\$384,134	\$0	\$384,134
126	Accounts Receivable - Tenants - Dwelling Rents	\$989	\$0	\$989
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-372	\$0	\$-372
128	Fraud Recovery	\$550	\$0	\$550
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0
129	Accrued Interest Receivable	\$218	\$0	\$218
120	Total Receivables, net of allowances for doubtful accounts	\$1,385	\$0	\$1,385
142	Prepaid Expenses and Other Assets	\$19,831	\$0	\$19,831
143	Inventories	\$3,891	\$0	\$3,891
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0
150	Total Current Assets	\$409,241	\$0	\$409,241
161	Land	\$83,985	\$0	\$83,985
162	Buildings	\$3,570,953	\$108,500	\$3,679,453
163	Furniture, Equipment & Machinery - Dwellings	\$71,262	\$0	\$71,262
164	Furniture, Equipment & Machinery - Administration	\$105,925	\$8,459	\$114,384
165	Leasehold Improvements	\$594,954	\$0	\$594,954
166	Accumulated Depreciation	\$-3,696,721	\$-8,052	\$-3,705,773
167	Construction In Progress	\$13,655	\$87,786	\$101,441
160	Total Fixed Assets, Net of Accumulated Depreciation	\$744,013	\$195,693	\$939,706
180	Total Non-Current Assets	\$744,013	\$195,693	\$939,706
190	Total Assets	\$1,153,254	\$195,693	\$1,348,947

PHA: LA059 FYED: 09/30/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$590	\$0	\$590
322	Accrued Compensated Absences - Current Portion	\$4,570	\$0	\$4,570
341	Tenant Security Deposits	\$13,745	\$0	\$13,745
342	Deferred Revenues	\$1,036	\$0	\$1,036
310	Total Current Liabilities	\$19,941	\$0	\$19,941
354	Accrued Compensated Absences - Non Current	\$11,959	\$0	\$11,959
350	Total Noncurrent Liabilities	\$11,959	\$0	\$11,959
300	Total Liabilities	\$31,900	\$0	\$31,900
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$744,013	\$195,693	\$939,706
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$377,341	\$0	\$377,341
513	Total Equity/Net Assets	\$1,121,354	\$195,693	\$1,317,047
600	Total Liabilities and Equity/Net Assets	\$1,153,254	\$195,693	\$1,348,947

**HOUSING AUTHORITY OF BREAUX BRIDGE
FINANCIAL DATA SCHEDULE**

YEAR ENDED SEPTEMBER 30, 2006

PHA: LA059 FYED: 09/30/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$206,050	\$0	\$206,050
704	Tenant Revenue - Other	\$6,356	\$0	\$6,356
705	Total Tenant Revenue	\$212,406	\$0	\$212,406
706	HUD PHA Operating Grants	\$161,162	\$52,986	\$214,148
706.1	Capital Grants	\$0	\$204,745	\$204,745
711	Investment Income - Unrestricted	\$4,242	\$0	\$4,242
714	Fraud Recovery	\$3,842	\$0	\$3,842
715	Other Revenue	\$51,795	\$0	\$51,795
716	Gain/Loss on Sale of Fixed Assets	\$315	\$0	\$315
700	Total Revenue	\$433,762	\$257,731	\$691,493

PHA: LA059 FYED: 09/30/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$74,256	\$12,480	\$86,736
912	Auditing Fees	\$8,330	\$0	\$8,330
914	Compensated Absences	\$615	\$0	\$615
915	Employee Benefit Contributions - Administrative	\$31,156	\$0	\$31,156
916	Other Operating - Administrative	\$25,191	\$506	\$25,697
924	Tenant Services - Other	\$156	\$0	\$156
931	Water	\$13,187	\$0	\$13,187
932	Electricity	\$9,424	\$0	\$9,424
933	Gas	\$735	\$0	\$735
938	Other Utilities Expense	\$11,483	\$0	\$11,483
941	Ordinary Maintenance and Operations - Labor	\$51,304	\$0	\$51,304
942	Ordinary Maintenance and Operations - Materials and Other	\$15,725	\$0	\$15,725
943	Ordinary Maintenance and Operations - Contract Costs	\$37,535	\$0	\$37,535
945	Employee Benefit Contributions - Ordinary Maintenance	\$24,546	\$0	\$24,546
961	Insurance Premiums	\$43,409	\$0	\$43,409
963	Payments in Lieu of Taxes	\$17,758	\$0	\$17,758
964	Bad Debt - Tenant Rents	\$1,200	\$0	\$1,200
969	Total Operating Expenses	\$366,010	\$12,986	\$378,996
970	Excess Operating Revenue over Operating Expenses	\$67,752	\$244,745	\$312,497
972	Casualty Losses - Non-Capitalized	\$60	\$0	\$60
974	Depreciation Expense	\$152,137	\$9,052	\$161,189
975	Fraud Losses	\$2,217	\$0	\$2,217
980	Total Expenses	\$520,424	\$22,038	\$542,462
1001	Operating Transfers In	\$40,000	\$0	\$40,000
1002	Operating Transfers Out	\$0	\$-40,000	\$-40,000
1010	Total Other Financing Sources (Uses)	\$40,000	\$-40,000	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-46,662	\$195,693	\$149,031

PHA: LA059 FYED: 09/30/2006

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$1,074,123	\$93,893	\$1,168,016
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$93,893	\$-93,893	\$0
1120	Unit Months Available	1,137	0	1,137
1121	Number of Unit Months Leased	1,132	0	1,132